

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2007-104-E - ORDER NO. 2007-264

APRIL 20, 2007

IN RE: Petition of South Carolina Electric & Gas)	ACCOUNTING ORDER
Company for an Order Authorizing the)	REGARDING CERTAIN
Reclassification of All Unrecovered)	SEISMIC EVALUATION
Regulatory Study Costs Incurred in)	COSTS
Connection with the Seismic Evaluation of)	
the Saluda Dam Spillway from Account 183)	
to the Remediation Projects Account.)	

This matter comes before the Public Service Commission of South Carolina (“the Commission”) on the Petition of South Carolina Electric & Gas Company (“SCE&G” or “the Company”) for an accounting order for regulatory accounting purposes authorizing SCE&G to reclassify all unrecovered regulatory study costs incurred in connection with the Company’s seismic evaluation of the Saluda Dam Spillway from Account 183 to the Remediation Projects Account established by the Commission in Order No. 2005-2 issued in Docket No. 2004-178-E.

According to the Company, if granted, this request for relief will not involve a change to any of SCE&G’s rates or prices, or require any change in any Commission rule, regulation, or policy. In addition, the Company states that the issuance of the requested accounting order will not prejudice the right of any party to address this issue in a subsequent general rate case proceeding.

SCE&G's Petition provides the background for its request. Pursuant to Article 27 of the Saluda Hydro License, the Federal Energy Regulatory Commission ("FERC") required SCE&G to conduct a seismic evaluation of the Saluda Dam and Spillway. Based upon a series of geo-technical analyses performed on the dam, FERC instructed SCE&G to construct a second "dry" dam to impound water from Lake Murray to protect the downstream population in the event of a breach of the original Saluda Dam (the "Remediation Project"). FERC approved the Company's Remediation Project, and in August 2002, construction of the second dam commenced.

In 2003, as part of the Remediation Project, SCE&G, FERC, and the Company's Board of Consultants initiated a series of engineering studies which focused on the seismic stability of the Saluda Dam Spillway ("Spillway"). The engineering analyses revealed that the existing Spillway could withstand an earthquake in excess of the magnitude of the Charleston Earthquake of 1886. Accordingly, FERC advised SCE&G that no remediation actions were necessary for the Spillway. The total cost for the analyses, which consisted primarily of external engineering costs, was \$844,906.

In accordance with the FERC Uniform System of Accounts, the Company accounted for the costs of the engineering studies in Account 183, "Preliminary Survey and Investigation Charges." Typically, unrecovered regulatory study costs accounted for in this manner are subsequently reclassified to Account 182.2, "Unrecovered Plant and Regulatory Study Costs." Rather than reclassify these costs to Account 182.2, the Company requests that these unrecovered regulatory study costs be attributed to the Remediation Projects Account which was established by the Commission in Order No.

2005-2 issued in Docket No. 2004-178-E to account for, outside of rate base, all project costs accumulated in connection with the dam remediation project.

According to the Company, the costs incurred by SCE&G in analyzing the integrity of the Spillway are directly related to and associated with the dam remediation project. Therefore, the Company proposes to record an entry to credit Account 183 for the unrecovered regulatory study costs in the amount of \$844,906 and then debit the Remediation Projects Account this same amount. Consequently, these study costs will become part of the Remediation Projects Account balance and be accounted for in accordance with the provisions set forth in Order No. 2005-2.

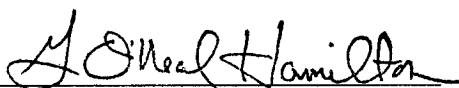
In summary, SCE&G requests that we issue an Order granting the Company authority to reclassify all unrecovered regulatory study costs incurred in connection with the Company's seismic evaluation of the Saluda Dam Spillway from Account 183 to the Remediation Projects Account established by the Commission in Order No. 2005-2 in Docket No. 2004-178-E.

We grant the request for an accounting order as described by the Company in its Petition. We agree with the premise that the costs incurred by SCE&G in analyzing the integrity of the Spillway are directly related to and associated with the dam remediation project. We approve the Company's proposal to record an entry to credit Account 183 for the unrecovered regulatory study costs in the amount of \$844,906 and then debit the Remediation Projects Account established by Commission Order No. 2005-2 this same amount. We hold that this is a logical action under the circumstances. This Commission agrees that no change in the Company's rates or prices will occur, nor will any

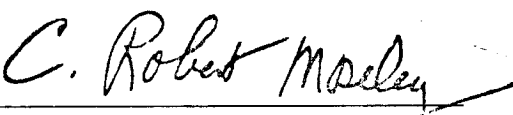
Commission rule, regulation, or policy change be necessary. Further, the issuance of this Order will not prejudice the rights of any party to address this issue in a subsequent rate case proceeding.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


G. O'Neal Hamilton, Chairman

ATTEST:


Robert C. Moseley, Vice Chairman

(SEAL)